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C O N F I D E N T I A L CARACAS 002143

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E.O. 12958: DECL: 11/05/2017

TAGS: [ECON](#) [VE](#)

SUBJECT: INCREASES OF FOOD PRICES AND SUBSIDIES IN VENEZUELA

REF: A. CARACAS 2074

[1](#)B. CARACAS 2023

[1](#)C. CARACAS 994

Classified By: ACTING ECONOMIC COUNSELOR SHAWN FLATT, FOR REASON 1.4 (D
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[1](#)1. (U) SUMMARY: Venezuela continues to face shortages in milk and wheat products. The BRV has taken steps to subsidize powdered milk imports and has directed that wheat products be made with a combination of wheat and other cereal grains to increase quantities. The BRV also established a production price for black beans that will create a disincentive to produce them. END SUMMARY

THE STAPLES OF LIFE: PASTA, BLACK BEANS AND MILK

[1](#)2. (U) The Official Gazette from October 26 and press reports from October 28 state the BRV will raise the controlled prices of pastas 58% and bread 18%. The BRV has also directed pasta producers to mix wheat pastas with other cereals such as rice and corn to limit reliance on imported wheat. Bread will be made from a mixture of other cereals and wheat instead of only wheat. The mix would be 70% wheat and 30% other grains. Industry sources have indicated that there is insufficient technology available in the short term to effect these changes in more than 10% of the supply. The BRV imports nearly all of its wheat (reftel A).

[1](#)3. (U) The Official Gazette also established an official producer price for black beans of Bs 1,800 per kilo for the first time. The price for consumers established in 2004 remains Bs 1,900 per kilo. Industry associations indicate that the cost to produce a kilo of black beans is Bs 2,000 not including "additional industrial processing". The production of black beans does not cover demand. Venezuela consumes 100,000 tons per year of black beans and imports 90,000 tons, primarily from China and other countries in South America.

[1](#)4. (U) The BRV promises to continue subsidizing the importation of powdered milk. The official policy of the BRV is to subsidize imported milk that has a price above USD 3,725 and below USD 4,350 per ton. Rafael Oropeza, Minister of Food Supply, indicated there are sufficient resources to cover the subsidy even though the price on the international market has exceeded USD 4.350 per ton, the upper limit of milk subsidies established by the National Executive. Oropeza stated "the subsidy has no limit...we are conscious that the price of milk is fluctuating but the resources are here and there is not a problem." Recently 3,000 tons of

powdered milk was imported at USD 5,300 per ton. This was USD 950 more per ton than the upper limit of the authorized subsidies and cost the BRV an additional USD 2,850,000. With the exception of BRV sponsored Mega-Mercals, milk is still only sporadically available in most supermarkets as of November 6.

COMMENT

15. (C) The BRV continues to resort to price controls and the subsidizing of imports as well as looking for additional methods to stabilize and maintain the supplies and prices of staple goods. Prices are generally not high enough to ensure that the market will maintain the supply of staples. Shortages will grow unless there are substantial increases in incentives to producers either price increases or further subsidies.

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